

# Catching up on retirement

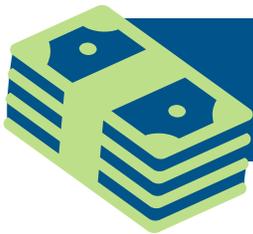


## Where are you at in the race for your retirement?

Imagine the journey to retirement is a race, and your goal is to reach a certain savings plateau. Are you worried that you may be behind with the finish line in sight? If only



there was a way to give yourself a boost to catch-up. Now there is.



## Catch-up contributions could boost your savings to help you get back on track.

As you begin to reach retirement, you may be worried about whether you'll have enough to live comfortably in retirement. You may find yourself in a race to accumulate enough retirement savings. Maybe you waited too long to start saving, thinking you had plenty of time to catch-up later in life.

**Internal Revenue Service's (IRS)** catch-up contributions allow anyone age 50 or older at the end of the calendar year to contribute an additional amount. This can help you get back in the race to retirement at an age where your finances might be more stable and your debts could be at their lowest.

### Younger than age 50 contribution limits\*

Regardless of age, you can contribute up to \$20,500 per year in **both** of the State of Michigan 401(k) and 457 Plan accounts separately (as shown below). The 401(k) plan limit combines pre-tax and Roth contributions.

### Age 50 and older contribution limits\*

Anyone age-eligible for catch-up contributions may contribute up to \$6,500 more than the normal limit or \$27,000 per year in **both** the State of Michigan 401(k) and 457 Plan accounts separately. The 401(k) plan limit combines pre-tax and Roth contributions.

Account type	Contribution limit younger than 50	Age 50+ catch-up contribution amount	Total age 50+ allowed contribution limit
401(k) pre-tax & Roth combined*	\$20,500	\$6,500	\$27,000
457	\$20,500	\$6,500	\$27,000

\*If you are a part of the Michigan Public School Employees' Retirement system, you can only contribute to and catch-up with your 457 plan.



## Traditional 457 plan catch-up contributions

A traditional 457 plan catch-up contribution is available in the three years before reaching **normal retirement age** defined by the State of Michigan 457 Plan. During that time, the IRS allows you to contribute either \$41,000 (twice the annual limit) or the annual limit plus any unused annual limit amounts from prior years, whichever is smaller.

Since the three-year traditional 457 catch-up takes into account your prior contributions, work closely with **Voya Financial** to calculate the catch-up amount available to you. Then, inform Voya of your contribution amount by completing the Traditional 457 Catch-Up Contribution Program form.

If you are eligible for both the traditional 457 catch-up and the age 50 and older catch-up in the same year, you cannot use both catch-up options toward your 457 account in the same tax year. According to the IRS, you must use the catch-up option that lets you contribute the greater amount. However, you can use the age 50 and older catch-up towards your 401(k) account.

Account type	Traditional 457 plan catch-up contribution
457	<b>\$41,000</b> or the annual limit plus any unused annual limit amounts from prior years

## Catching up for anyone younger than 50

Regardless of your age, contributing more to your savings accounts now could get you back in the race to retire.

For many people the annual contribution limit is hard to reach, but saving even 0.5% more today could put you that much closer to your future retirement goals. Assuming an average annual salary of \$50,000, 0.5% is about \$9.62 every two weeks or \$250 per year.

Life is full of surprises. We understand you might not always have extra money to invest in retirement. As your situation becomes more stable, consider increasing by the percentage that works for you. Investing in your plan means investing to get your retirement back on track. The longer you wait to catch-up, the more you fall behind in your race for retirement.

Yearly salary	0.5% of salary	1% of salary	2% of salary
<b>\$30,000</b>	<b>\$150</b>	<b>\$300</b>	<b>\$600</b>
<b>\$50,000</b>	<b>\$250</b>	<b>\$500</b>	<b>\$1,000</b>
<b>\$70,000</b>	<b>\$350</b>	<b>\$700</b>	<b>\$1,400</b>

1. IRS, *Retirement Topics - Catch-Up Contributions*, Oct. 26, 2021.  
 2. IRS, *Retirement Topics - 457(b) Contribution Limits*, Oct. 26, 2021.  
 3. IRS, *IRS announces 401(k) limit increases to \$20,500*, Nov. 4, 2021.